

Message Text

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E.O. 11652: N/A
TAGS: BEXP, MA
SUBJECT: MAJOR EXPORT PROGRAM - IBRD PROJECTS

REFS: A) IBRD/IDA MONTHLY OPERATIONAL SUMMARY (SECM 78-190),
MAR 10, 1978; B) 77 ANTANANARIVO 1161; C) 77 ANTANANARIVO
1191; D) 77 ANTANANARIVO 1497; E) 77 ANTANANARIVO 1579.

1. SUMMARY. THIS TELEGRAM PROVIDES SUPPLEMENTARY INFORMATION
TO THAT CONTAINED IN REF A. END SUMMARY.

2. JIRAMA POWER PROJECT: PRE-QUALIFICATION SELECTION NOT
YET ANNOUNCED. RETROACTIVE FINANCING OF 200,000 DOLLARS
FOR SUPPLEMENTARY ENGINEERING STUDIES REPORTEDLY RECOMMENDED
BY NEWLY APPOINTED CANADIAN CONSULTANT FIRM WHICH BELIEVES
CONSULTANTS ORIGINALLY CHOSEN TO DESIGN AND SUPERVISE
ENTIRE PROJECT MADE INADEQUATE GEOLOGICAL STUDY OF DAM SITE.
BELIEVE OF ALL IBRD PROJECTS IN MADAGASCAR, THIS ONE OFFERS
BEST CHANCE FOR SUBSTANTIAL US SALES OF EQUIPMENT, PART-
ICULARLY GENERATORS AND TURBINES, BUT ONLY IF US FIRMS
PARTICIPATED IN THE PRESELECTION PROCESS, THE DEADLINE
FOR WHICH CLOSED ON SEPTEMBER 30 (SEE REFS B, C, D, E).

3. IRRIGATION LOWER MANGOKY: NO NEW INFORMATION.

4. ANTANANARIVO WATER SUPPLY AND SANITATION: UNDER-
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STAND THAT URBAN DEVELOPMENT COMPONENT MAY BE EXTENDED
TO THREE OTHER MADAGASCAR CITIES.

5. HIGHWAYS V: MAINTENANCE STUDY PERFORMED BY US
FIRM LOUIS BERGER INTERNATIONAL. STUDY CLOSE TO
COMPLETION AND WILL PROBABLY RECOMMEND PURCHASE, UNDER
HIGHWAYS V, OF MORE THAN 1 MILLION DOLLARS IN SPARE

PARTS AND ABOUT 5 MILLION DOLLARS IN NEW ROAD MAINTENANCE EQUIPMENT. ACTUAL TENDER FOR THE ABOVE WILL PROBABLY NOT BE ISSUED UNTIL 1979. REPORTEDLY, FRENCH AID PROGRAM HAS BEEN ASKED BY MINISTRY OF PUBLIC WORKS TO FINANCE APPROXIMATELY 2.8 MILLION DOLLARS OF NEW EQUIPMENT COST. AS A RESULT OF THEIR EXPERIENCE WITH MINISTRY OF PUBLIC WORKS, LOUIS BERGER HOPES TO BE CHOSEN TO TRAIN PUBLIC WORKS STAFF UNDER HIGHWAYS V. THIS TWO-YEAR PROJECT MIGHT BE WORTH UP TO 2 MILLION DOLLARS. DEPENDING ON IBRD AND MADAGASCAR GOVERNMENT DECISIONS, THIS PROJECT COULD START AS EARLY AS SEPTEMBER. WE UNDERSTAND THAT IBRD WILL PROBABLY REQUIRE MADAGASCAR GOVERNMENT TO BEGIN ABOVE MAINTENANCE AND TRAINING PROJECTS BEFORE FUNDING FURTHER ROAD BUILDING IN MADAGASCAR, AS IBRD WISHES TO INSURE THAT ROADS ALREADY FINANCED WILL BE MAINTAINED BEFORE IT FUNDS FURTHER ROAD PROJECTS.

6. FOKONOLONA I: THIS PROJECT VERY MUCH IN THE BEGINNING STAGES. HOWEVER, IT APPEARS THAT IT WILL BE A COMBINATION OF SUPPORT FOR AGRICULTURAL CREDIT THROUGH THE MADAGASCAR RURAL DEVELOPMENT BANK AND SEVERAL SMALL-SCALE AGRICULTURAL-INDUSTRIAL PROJECTS. IT APPEARS THAT VERY LITTLE OF THIS PROJECT WOULD BE OF INTEREST AS A MAJOR EXPORT PROJECT. HOWEVER, WE ARE DOING A TRADE OPPORTUNITY (TOP) ON RICE HULLING UNCLASSIFIED

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MACHINES.

7. RAILWAYS II: FRENCH AID PROGRAM IS ALREADY INVOLVED IN THIS PROJECT AND GIVEN TRADITIONAL FRENCH TIES TO MADAGASCAR RAILROAD SYSTEM, BELIEVE THERE LITTLE PROSPECTS FOR US SALES.

8. MALAGASY INDUSTRIAL BANK: THIS PROJECT WOULD INCLUDE SEVERAL SMALL INDUSTRIAL PROJECTS AND THESE ARE TOO FRAGMENTED TO BE OF INTEREST AS MAJOR EXPORT PROGRAM. HOWEVER, WE WILL DO A TRADE OPPORTUNITY (TOP) ON SOME INDIVIDUAL PARTS.

9. EXPORT PAPER PULP MILL - (PROJECT NOT LISTED IN IBRD SUMMARY). GOVERNMENT AND IBRD INTEREST HAS BEEN RENEWED IN THIS LARGE (300 MILLION DOLLARS) EXPORT PULP MILL TO BE BUILT IN SAME REGION AS HYDROELECTRIC PROJECT (PARA 2 ABOVE). FAO EXPERTS HAVE DONE FEASIBILITY STUDY AND WE UNDERSTAND MADE A FAVORABLE RECOMMENDATION FOR CONTINUATION. HOWEVER, WE FURTHER UNDERSTAND THAT IBRD TECHNICIANS HAVE OPPOSED THE PROJECT, PROBABLY ON THE GROUNDS OF HIGH COST AND RISKINESS OF

COMPETING IN THE WORLD EXPORT PULP MARKET. THERE
IS LIKELY TO BE NO IMMEDIATE MOVEMENT ON THIS PROJECT,
BUT IN SPITE OF ITS SEEMING IMPRACTICALITY, IT SHOULD
BE WATCHED CLOSELY DUE TO ITS LARGE SIZE AND GREAT
INTEREST BY CERTAIN ELEMENTS IN MADAGASCAR GOVERNMENT.
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